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CANADIAN WHEAT MARKETING

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U.S. DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service
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Foreword

Canada has long been among the world's leading wheat exporters, and a principal competitor of the United States in the world wheat market. Its marketing system has been an important aid in increasing exports and subsequently reducing surplus stocks which had accumulated during the 1950's. Important also is the attention that this system has given to maintaining and improving the quality of Canadian wheat, already well known throughout the world.

The wheat marketing system of Canada was the subject of a study made in September 1961 by a team of U.S. representatives. The Foreign Agricultural Service published a report of that study in July 1962 (FAS–M–140) under the authorship of Gordon Lloyd. This report represents a revision and updating of the earlier publication.

William N. Starkey

William N. Starkey, Acting Director
Grain and Feed Division

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CANADIAN WHEAT MARKETING

By Gordon Lloyd, Assistant U.S. Agricultural Attache' Ottawa, Canada

For over 30 years, the grain from western Canada, the country's main producing area, has moved into inter-Provincial and export markets through the Canadian Wheat Board. This Board is a government monopoly, and has been an aggressive force in reaching markets inaccessible through regular trade channels. It was created under the Canadian Wheat Board Act in July 1935, culminating the government's efforts to stabilize the wheat situation during the worldwide economic depression.

Wheat is Canada's No. 1 agricultural crop and export commodity, and it is among the top foreign exchange earners. The main producing regions are concentrated in the Prairie Provinces—Manitoba, Saskatchewan, and Alberta—where the climate limits production mainly to spring varieties. By controlling the release of new varieties, Canada produces what is generally considered the best spring wheat in the world.

When it was first passed, the Canadian Wheat Board Act created a voluntary board empowered to purchase all wheat offered to it by producers in western Canada. However, World War II called for new policies, and all wheat marketed through commercial channels was required to be marketed through the Wheat Board. Then, on September 27, 1943, the government suspended trading in wheat futures on the Winnipeg Grain Exchange, and speculation in wheat prices has never been resumed since that date.

To Canadian wheat producers, this kind of marketing was not new. It evolved from an elevator monopoly prior to 1917 and to Prairie wheat cooperatives in the 1920's and early 1930's, and was primarily in response to their demand for improved marketing conditions. The Canadian Wheat Board has given the farmers a greater bargaining power than they as individuals or even as cooperatives would ever possess.

Grading and inspection, which have gone a long way toward giving Canadian wheat its high reputation, are in the hands of the Board of Grain Commissioners, an agency of the Department of Agriculture.

Producers have other government aids. One of them, the Crowsnest Agreement, dates back to 1897, and places rail freight rates of western grain for export under statutory control. This has been highly beneficial, for the emphasis has been on producing wheat for the export market and the traditional route is long from western Canada through Fort William/Port Arthur on the Lakehead and by lake vessel out the St. Lawrence River to the Atlantic ports. In recent years, more and more Canadian wheat has been moving west to Vancouver, British Columbia, and to a lesser extent, to the Hudson Bay port of Churchill.

Another aid is the Prairie Farm Assistance Act, under which payments are made to grain farmers whose production is cut drastically by drought or other natural disasters.

Canadian Wheat Board

The Canadian Wheat Board, established under the Canadian Wheat Board Act of 1935, has responsibility for the orderly marketing of western grains entering inter-Provincial and export trade. The Board, which currently reports to the Minister of Finance, undertakes to market wheat, oats, and barley on behalf of the pro-

ducers in the Provinces of Manitoba, Saskatchewan, and Alberta and in specified areas of British Columbia and Ontario.

The Canadian Wheat Board Act makes abundantly clear the control which the government has assumed over the marketing of grain from western Canada. This control extends from the issuing of producers' delivery permit books to the loading of the grain on ships for export.

Each year the producer applies for a permit book and specifies the point where he wishes to make deliveries. An elevator operator can receive grain only if the person delivering the grain furnishes a permit book which shows that he is entitled to deliver grain to that specific delivery point and has a quota remaining for the quantity of grain he is delivering. The operator sends samples of the grain to the Inspection Branch of the Board of Grain Commissioners as well as required reports to the Wheat Board on the quantity and grade of grain received. The Board maintains records on location of grains by grade and quantity. It is thus able to regulate the flow to the terminals by calling for only the grades of grains that are required to meet commitments or to maintain an adequate level in the terminals.

Pooling system

The entire commercial supplies of wheat, oats, and barley from the designated area are placed in annual marketing pools by grades. The Board then endeavors to effect throughout the year an orderly movement of grain from the western producers to the consumer, whether domestic or foreign. The annual pooling method of marketing permits a uniform per-bushel return, excluding storage costs, to all producers for each grade, regardless of the time of the year the grain is delivered.

The producer receives a certificate at the time of delivery which entitles him to any additional payments that may result from the marketing operations of the pool to which he has delivered his grain. The pool period for the three grains begins on the first day of August and ends the 31st day of July.

Payments

Canadian farmers receive an **initial payment** upon delivery of their grain to any elevator which acts as an agent for the Wheat Board. The payment, which can vary from year to year, is now $1.50 [1] per bushel for Manitoba Northern No. 1, in store at Fort William/Port Arthur or Vancouver. This rate, which became effective March 1, 1962, has been paid on all deliveries from the 1961–62 pool to date. For more than a decade before this, the payment had been $1.40.

Fixed charges are deducted from the initial payment. These include the transportation from the delivery point to Vancouver, British Columbia, or Fort William/Port Arthur and elevator handling fees and Wheat Board operation costs. Thus, producers in the central wheat producing area of Saskatchewan receive about $1.32 per bushel as an initial payment for Manitoba Northern No. 1. Payment for other grades varies according to quality.

At some date prior to the beginning of each crop year, the government establishes the initial price at which the Wheat Board will purchase wheat from the producers throughout the crop year. Such factors as current and prospective market demand and prices may make a specific level of initial price advisable. The Board is guaranteed by the Government of Canada against any deficit which it may incur as a result of being unable to dispose of wheat at a price higher than the initial payment to the producer. Therefore, the inherent price guarantee is that the producers' return cannot fall below the level of the annual initial payment.

An **interim payment** is authorized if a pool's grain is selling well enough or if its market prospects are sufficiently good that a surplus on the Board's operation for that pool is a virtual certainty. From 1953–54 through 1960–61 an interim payment of 10 cents per bushel was paid annually. The interim payment is really an advance on the final payment.

While a pooling period ends July 31 and a new pool is started August 1, it may be 6 months or more before the financial position of the former pool can be determined. The date depends on the progress the Board has made in disposing of the grain stock held in the pool. If the pool is entirely sold out within a few weeks or months after the end of the crop year, the pool may be closed. The pool may also be closed at a date after July 31st but prior to complete disposal of stocks. The remaining stocks are transferred into the pool established for the subsequent year. The accounting technique of the transfer has been developed so as to effect a final settlement with the producer within a reasonable time. An endeavor is made to price the transferred stocks at a level which gives neither profit nor loss to either of the pools in question. Any funds that have accumulated on the Board's operation are then distributed to the producer as a final payment in accordance with the quantity and grade of grain which was delivered during the crop year.

The rising wheat surpluses in the 1950's resulted in sharply increased carrying charges on wheat stored in the country and terminal elevators, thus reducing the final return to producers. To cope with this, Parliament passed the **Temporary Wheat Reserve Act** in 1955 providing funds in each crop year to cover the cost in-

[1] All prices quoted in this publication are in Canadian dollars.

Table 1.—Wheat prices received by producers in central Saskatchewan, crop years 1955–65

Year [1] and grain	Initial payment [2]	Interim payment	Final payment	Realized price [3]
	Dol./bushel	*Dol./bushel*	*Dol./bushel*	*Dol./bushel*
No. 2 Manitoba Northern:				
1955	1.18	0.10	0.118	1.398
1956	1.18	.10	.089	1.369
1957	1.18	.10	.126	1.406
1958	1.18	.10	.101	1.381
1959	1.18	.10	.089	1.369
1960	1.18	.10	.303	1.583
1961	1.28	—	.441	1.721
1962	1.28	—	.387	1.667
1963	1.28	—	.483	1.763
1964	1.28	—	.387	1.667
1965	1.28	—	—	—
No. 3 Manitoba Northern:				
1955	1.14	.10	.059	1.299
1956	1.14	.10	.060	1.310
1957	1.14	.10	.078	1.318
1958	1.14	.10	.065	1.305
1959	1.14	.10	.098	1.338
1960	1.14	.10	.327	1.567
1961	1.24	—	.469	1.709
1962	1.24	—	.402	1.642
1963	1.24	—	.498	1.738
1964	1.24	—	.362	1.602
1965	1.24	—	—	—

[1] Year beginning Aug. 1. [2] After deductions of 13.8 cents freight and 4.5 cents handling charges. [3] Prior to deduction of the 1 percent Prairie Farm Assistance Act levy.

curred by the Board in carrying over wheat in excess of 178 million bushels.

During 1965–66 the Board was scheduled to receive $40,926,234 from the Government of Canada under the provisions of the Temporary Wheat Reserves Act. Payments since August 1, 1955, have amounted to $421,015,594. The 1959–60 pool received the largest payment, $48 million.

The Prairie Grain Advance Payment Act went into force on November 25, 1957. Under its terms the Wheat Board was authorized to make **advance payments** to producers on farm-stored wheat, oats, and barley at the rate of 50, 20, and 35 cents per bushel. There is a limitation subject to the deliverable quantity of grain and a maximum amount of $3,000 for each applicant. The Board is authorized to recover the advance when the producer actually delivers the grain. The interest on the loans to make these payments is guaranteed by the Government of Canada. From the beginning of the program through July 31, 1965, over $312 million in advance payments had been received by grain producers in the Prairie Provinces.

Delivery quota

An important part of the market system for grain is the delivery quota system, which was introduced in 1940. This is particularly significant in periods when the grain supplies offered by the producers are in excess of commercial storage and handling facilities. The Board adopted this system to afford producers in all regions of the country an equitable opportunity to utilize the nation's storage facilities.

At the beginning of each crop year, a delivery quota is set. In years of normal conditions and average-size crops, the grain moves into domestic and export channels and additional space becomes available; then, the delivery quota is raised or opened entirely, which means there is no limitation on the quantity a producer may deliver. In years of abnormally large crops, the producers hold on the farms the grain that cannot be delivered to elevators under the quotas provided.

In 1965 an initial quota of 100 units of grain was established consisting of either 300 bushels of wheat, 500 bushels of barley, 500 bushels of rye, 1,000 bushels of oats, or any combination of these grains amounting

THE CANADIAN WHEAT BOARD

PERMIT

1965-66

SPECIMEN COPY

PRODUCERS' CERTIFICATES shall be issued to Producers only. *"Producer"* means the actual producer or a landlord, vendor or mortgagee entitled to share in crop grown on lands within described.

THIS PERMIT MUST BE PRESENTED TO THE ELEVATOR AGENT EACH TIME A GRAIN DELIVERY IS MADE, the details of which, under the Canadian Wheat Board Act, must be entered in the permit at the time of delivery.

PENALTIES

Penalties are provided for the making of false statements in applications and declarations in permit books or for delivery of grain in excess of the quota and any other breach of The Canadian Wheat Board Act or Regulations.

WARNING TO AGENTS:—When accepting deliveries, please check page 13 and inside of back cover for endorsement re Advance Payments.

to 100 units. In addition, as the space becomes available at specific delivery points, general quotas are established and range from 1 to 10 bushels per specified acre. Specified acreage consists of each permit holder's acreage seeded to wheat (including durums), oats, barley, rye, and oilseeds, as well as summer fallow and eligible acreage seeded to cultivated grasses and forage crops. Quotas were in effect continuously from 1952 until April 1962 when they were removed in all areas. Quotas again became effective August 1, 1962, and have continued to date.

Permit books

In order to regulate the grain delivery by producers within the quotas authorized, the Board issues to grain producers in western Canada some 210,000 delivery permit books yearly. All commercial deliveries must be recorded in these permit books. A permit book may be issued only to a producer who, for the purposes of the Wheat Board Regulation, "Includes, as well as an actual producer, any person entitled, as a landlord, vendor, or mortgagee, to the grain grown by an actual producer or to any share therein." Only one permit book may be issued per farm or group of farms operated as a unit. Therefore, producers not actually engaged in the operation of the farm, but having an interest in the grain delivered as a landlord, vendor, or mortgagee, are listed in the permit book under separate suffixes along with the actual producer. Any person listed in the permit book is entitled to deliver grain within the quota and to receive the Board's initial payment and participation certificate covering the delivery. The "actual producer" has prior right of possession of the permit book but must make it available for the use of other producers named in the book. These books must be presented and an entry made therein when each delivery is made. The producer selects one delivery point which is listed in the permit book, and this point is the only point at which the book will be honored. However, if several elevators are located at the specified point the producer may then deliver grain to any of them.

Pricing of Canadian wheat

Through its pricing policies the Board endeavors to maintain a strong competitive position in all markets. In order to accomplish this the Board quotes separate asking prices daily for wheat in store at the terminals at Fort William/Port Arthur, Vancouver, and Churchill. The price at any one of these three terminal positions may fluctuate freely and independently of the price quoted for the other two. The Board takes into account not only internal costs of moving wheat to these positions, but also the various ocean freight rates involved and any variations in these rates that may occur.

There is no market in Canada for the trading of wheat futures. Therefore, to encourage sales of wheat

to other countries, the Board has adopted a policy of offering wheat to exporters on a deferred pricing basis. The buyer has the right to declare the final price up to 8 market days after date of call on shipment from St. Lawrence or Atlantic ports, and from 15 to 22 market days from date of loading from Pacific Coast ports depending on destination of shipment. If the deferred price basis is selected by the buyer, provisions are made for an accounting price to be established at the time of call but this price would be adjusted finally within the time limit provided for each shipping range.

The Board's asking price has normally fluctuated within a very narrow range. In 1961, however, prices increased, reflecting not only the devaluation of the Canadian dollar but also the strong overseas demand and the drought in the Prairie. The narrowing of the discounts for the lower grades during 1960–63 reflects the desire of the Board to increase the sale of No. 2 Northern, as this grade predominated in their inventory. This spread widened in 1964–65, the 1964 crop grading much lower than those of the previous 3 years.

The Board and the trade

The Canadian Wheat Board is located at Winnipeg, which has long been recognized as the wheat capital of Canada. The Board consists of not less than three or more than five commissioners appointed by the Governor-in-Council. One of the commissioners is appointed Chief Commissioner and another Assistant Chief Commissioner. Each commissioner holds office during good behavior, but no commissioner may hold office beyond the age of 70 years.

The Board is a corporation having capacity to contract and to sue and be sued in the name of the Board.

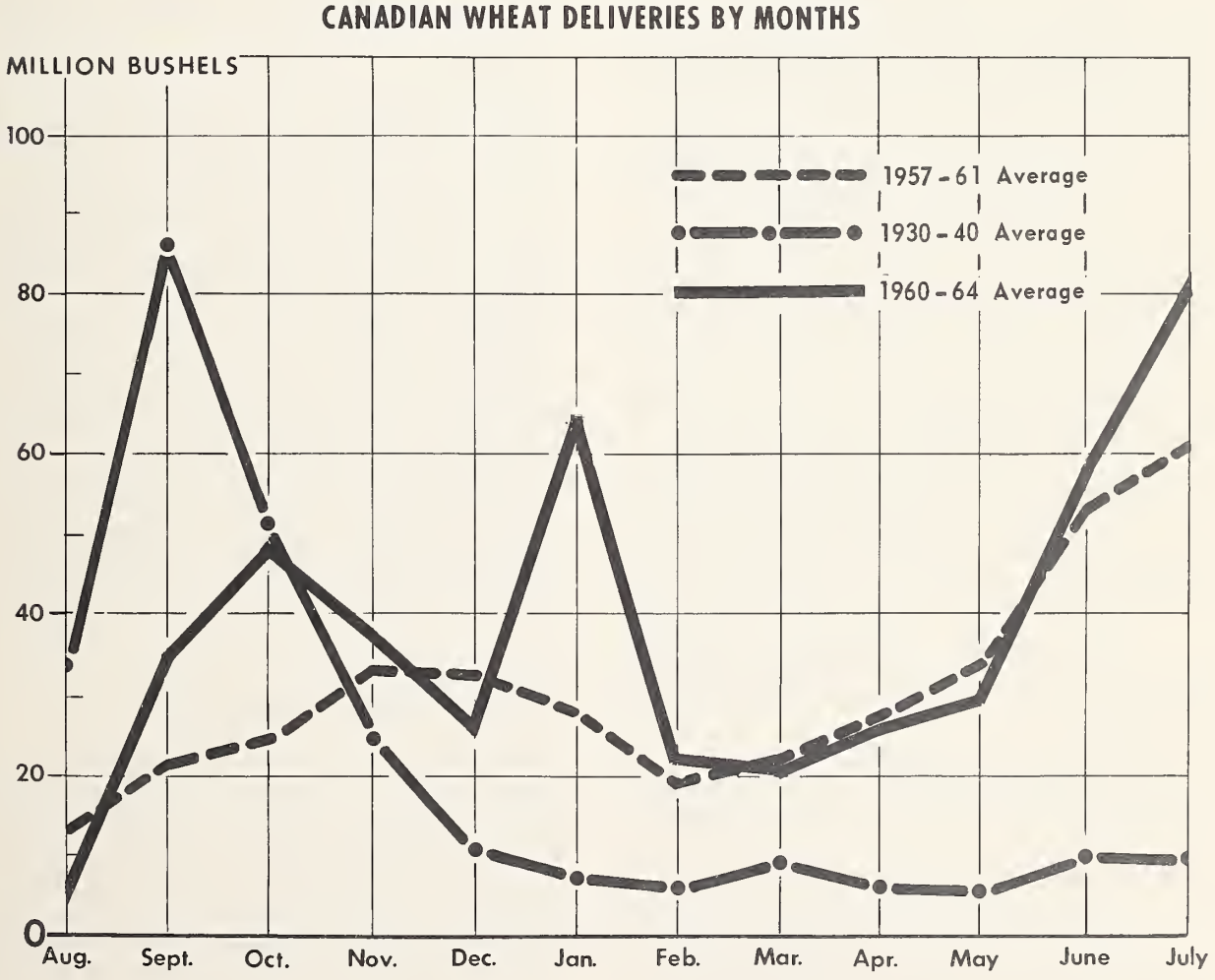

Table 2.—Annual averages of Canadian Wheat Board selling quotations, crop years 1955–64
[Basis in store Fort William/Port Arthur]

Year beginning August 1	#1 Northern	#2 Northern	#3 Northern	#4 Northern
	Dol./bushel	*Dol./bushel*	*Dol./bushel*	*Dol./bushel*
1955	1.74	1.70–1/2	1.64–3/8	1.58
1956	1.68–1/8	1.64–7/8	1.58	1.51–3/8
1957	1.62–3/8	1.58–3/8	1.51	1.40–1/2
1958	1.66–1/4	1.63	1.53–1/2	1.43–1/8
1959	1.65–7/8	1.62–5/8	1.55–5/8	1.50–1/4
1960	1.67–1/2	1.63–3/8	1.61–3/8	1.58
1961	1.89–7/8	1.88	1.86–7/8	1.81–7/8
1962	1.96–1/8	1.95–1/4	1.93–5/8	1.87–1/4
1963	2.03–3/8	2.00–3/8	1.97–1/2	1.90–5/8
1964	1.98–3/8	1.95–3/8	1.90–5/8	1.84–5/8

The Board also has the following powers:

(a) To buy, take delivery of, store, transfer, sell, ship, or otherwise dispose of grain;

(b) To enter into contracts or agreements for the purchase, sale, handling, storage, transportation, disposition, or insurance of grain;

(c) To enter into ordinary commercial banking arrangements on its own credit and to borrow money on the security of grain held by it;

(d) To acquire, hold, and dispose of real and personal property, but the Board shall not acquire or dispose of any real property without the approval of the Governor-in-Council;

(e) Notwithstanding anything contained in the Civil Service Act, to employ such technical, professional, or other officers, clerks or employees as may be necessary for the conduct of its business;

(f) To establish branches or employ agents in Canada or elsewhere;

(g) To establish, utilize, and employ such marketing agencies or facilities as it deems necessary for the purpose of its operations under this Act;

(h) To operate elevators, either directly or by means of agents, and subject to the provisions of the Canada Grain Act, to pay such agents' commissions, storage and other charges, remuneration or compensation as may be agreed upon with the approval of the Board of Grain Commissioners;

(i) To authorize any officer or employee of the Board or any other person to act on behalf of the Board in the conduct of its operations under this Act;

(j) To act as agent for or on behalf of any Minister or agent of Her Majesty in right of Canada in respect of any operations that it may be directed to carry out by the Governor-in-Council; and

(k) Generally to do all such acts and things as may be necessary or incidental to carrying on its operation under this Act.

Each year the Board negotiates handling agreements with the elevator companies which include the western pool organizations, the United Grain Growers, and the privately owned elevators. These elevator companies act as agents of the Board in the handling and sale of wheat, oats, and barley in western Canada. In 1964–65 the handling margins were set at 4½ cents per bushel for wheat and barley and 3½ cents per bushel for oats. The storage rate remained unchanged at 1/30th of a cent per bushel per day. The agreements specify the maximum handling charges which may be deducted by the company from the Board's fixed initial carlot price.

The Board has control over the movement of grain since it must authorize shipment across Provincial borders. Thus, it is able to regulate not only the quantity moving to the terminals but also the grade and type of grain, by allotting boxcars to elevators where the desired grain is located.

The Board sells wheat either directly or through the grain exporters to any customer in the world at its quoted prices. Since there is no future market in Canada, all sales must be either on a cash basis or on the deferred price basis. The Board may also sell directly to a customer through contracts negotiated with a foreign government covering a large amount of wheat over an extended period. However, most of the wheat is sold by the grain companies acting as agents for the Board.

Promotional activities

The Canadian Wheat Board Act provides that unclaimed balances over 6 years old may be transferred to a special account. These funds are used for purposes which are considered beneficial to the producer. Foreign missions have been brought to Canada to see at first hand the production, handling, and processing of western grains. Earlier, funds from the special account were used to provide equipment for a laboratory in the Institute of Banking and Baking School of Japan. In January 1961 the Board formed a new department, the Technical Service and Market Research Department, to

provide technical assistance to the milling and baking industries in foreign markets with costs paid from the special account. The Board maintains close contact with foreign markets through members visiting principal markets as well as through offices in London and Tokyo. It also has films in at least eight languages.

Board of Grain Commissioners

The Board of Grain Commissioners, which is in the Department of Agriculture, consists of a chief commissioner and not more than two other commissioners who are appointed by the Governor-in-Council for a 10-year term. The Board has jurisdiction over the grading and weighing of any grains, the deduction made from any grain in or out of any elevator, the unfair or discriminatory operation of any elevator, the deterioration of any grain during storage or treatment, and the refusal or neglect of any person to comply with the provisions of the Canada Grain Act 1930.

Grading and inspection

Grain is officially graded by the Board's Grain Inspection Branch as it moves through an inspection point (Winnipeg, Edmonton, and Calgary) en route to the terminal or mill elevator. However, the country elevator determines the percent of dockage and assigns a grade to the grain at the time it is delivered and on this basis issues a cash ticket. When the farmer and the elevator operator cannot agree on the grade, a sample is taken in the presence of the farmer and forwarded for grade determination to the Chief Grain Inspector or the inspector in charge of any inspection point. After examining the sample the inspector will send a copy of his statement to both parties concerned. Since the price is set by the Wheat Board, the grade is the only factor that the farmer can question with the elevator operator; and the decision of the inspector on the grade is final. During 1963–64, 15,059 samples submitted by country elevator operators and farmers "subject to inspector's grade and dockage," were graded, compared to 22,183 during the previous crop year.

Samples of grain taken at the inspection points are used to determine the official grade, which is rechecked at the terminals. After grain is loaded on the railroad car by the country elevator, no mixing of grades is allowed.

Every bushel of wheat is cleaned before it is exported, and every precaution is taken to safeguard the quality from production until it is loaded on ship. Inspectors are continuously taking samples as the grain is loaded, and they have the power to stop the loading if for some reason the wheat does not come up to the grade specified on the loading notice.

The Board before July 1 each year must form a Committee on Western Grain Standards and a Committee on Eastern Grain Standards. These committees select and settle standard samples to be used in the crop year, beginning August 1. The commissioners, the Chief Grain Inspector, and the chairman of the grain appeal tribunals are ex-officio members of the Western Committee, which also has as members one representative of the millers of wheat flour, four representatives of the grain growers of Alberta, five of the grain growers of Saskatchewan, three of the grain growers of Manitoba, one of the grain growers of British Columbia, and one representative of the Plant Products Division of the Department of Agriculture of Canada.

As soon as possible after August 1 the Board collects samples of the current year's crop of western grain and, from these samples, prepares tentative standard samples of the statutory grades and of such commercial grades as appear likely to be convenient. When the tentative standard samples have been prepared and reports on the milling and baking qualities have been obtained, the Board convenes the Western Committee.

The standard samples settled on by this committee represent, as far as possible, the minimum of each grade, both for statutory and for whatever commercial grades the committee names and defines for the crop year. In addition to the standard sample, the committee prepares, as early as convenient, standard export samples of the first nine statutory grades and of all commercial grades and other grades as it considers advisable. The standard export sample is constituted by mixing three parts of grain equal to the general average of the grain at the inspection points.

The Board then distributes a sample of all standard samples to each grain appeal tribunal and, on payment of a fee, to any person who may desire to obtain a sample.

The Board of Grain Commissioners appoints a grain appeal tribunal for each district or as many as required in the public interest. Currently there are three in western Canada, located at Winnipeg, Calgary, and Edmonton. Each tribunal in the western division consists of nine members, one appointed by the Board to be chairman, who must be a qualified inspector of grain under the Canada Grain Act and a full-time employee of the Board. The other members may be part-time employees.

A producer or his agent who is dissatisfied with the official grade assigned at the inspection point may appeal orally or in writing to the Chief Inspector at the place of inspection. If the person is still dissatisfied, he

may appeal to the Grain Appeal Tribunal by giving written notice to the inspecting officer of his intention to appeal within 24 hours after receipt of the decision. No appeal is entertained unless the identity of the grain has been preserved pending disposition of the appeal except with the express authority of the Board. The inspecting officer may require a new sample to be drawn, or the original sample drawn will be furnished the tribunal. The grain tribunal then reviews the decision of the inspecting officer and assigns the grain in question a final grade.

Research

The Grain Commissioners operate a Grain Research Laboratory, which is the principal center in Canada for research on traditional uses of cereal grains. Basic research on the physical properties of dough (rheology) is an area in which the laboratory enjoys a high reputation among cereal laboratories throughout the world. Kinetic studies of the reaction of bromate in dough and the role of lipides in determining the quality of flour are examples of the type of studies being conducted. In applied research, experiments are being conducted on milling techniques and grain drying methods, as well as others.

Extensive tests in cooperation with the Research Branch, Canadian Department of Agriculture, are conducted on the new hybrids developed by plant breeders. Only a few varieties have survived the rigid tests and reached the licensing stage in the past 20 years.

Marquis is the standard, and a new variety must be equal in quality to Marquis before it is eligible to be licensed. While farmers may grow unlicensed varieties, the elevators may purchase only licensed varieties.

Statistics

The Board of Grain Commissioners receives reports from all elevators licensed under the Canada Grain Act and, from these returns, compiles and publishes basic statistics relating to the storage and handling of grain within the elevator system. The Statistics Branch has the responsibility for administering, collecting, and recording the 1-percent levy under the Prairie Farm Assistance Act. The records and facilities are made available to the Canadian Wheat Board to assist in its grain movement control. The office cooperates with the United States Department of Agriculture and various United States port authorities to maintain statistics on grain movement through the Great Lakes water system. This is especially true since the opening of the St. Lawrence Seaway and the stationing of U.S. grain inspectors in Montreal and other locations.

Weigh-over of grain

In order to assure compliance on grading and shipping regulations, the Board performs a weigh-over of the grain contained in every licensed elevator. The period of time between weigh-overs must not be less than 9 and not more than 22 months. An overage in each grade is the quantity by which the beginning stocks plus grain discharged between weigh-overs exceed ending stocks plus grain received during the period. There is an allowable difference of one-sixteenth of 1 percent of the amount of grain received in that grade. An overage in any grade shall be the property of the Canadian Government and shall be disposed of as the Board may direct. Any shortages that occur by this same accounting method must be covered by the elevator company.

Storage and Marketing Organizations

The owner or operator of every grain elevator must have a license from the Board of Grain Commissioners before the elevator can be operated. Grain elevators are classified according to their location and function as country, mill, interior terminal, terminal, and seaboard elevators. There are two classes of country elevators—private and public. A private elevator is one used exclusively by a farmer for the receiving, storing, and shipping of his own grain, or one which is owned or operated by a cooperative association and used only by the members. A public elevator is one which is operated by an individual, company, or cooperative association and is used for receiving, storing, and shipping grain for any farmer or holder of grain. In western Canada, there were 5,139 licensed public country grain elevators as of August 1, 1965. The 10 largest firms controlled over 95 percent of total storage capacity in western Canada.

The wheat farmers of the Prairie Provinces organized the **Saskatchewan Wheat Pool** in 1924, not as an elevator company, but as a marketing organization to do for them what the government had done during World War I—stabilize prices and set up orderly selling methods.

Each of the three Provinces had a voluntary contract cooperative for marketing wheat. These cooperatives then formed the Central Selling Agency to act as a single sales agency for all grain delivered to them. It set up its own sales organization with agents in eastern Canada and in 15 importing countries where a total of 28 offices were maintained. During the first year of operation the Central Selling Agency handled over 81

Table 3.—Canada: Grading of wheat inspected, crop years,[1] average 1957-61, annual 1962-64

Grade	Average 1957-61	1962	1963	1964
	Percent	*Percent*	*Percent*	*Percent*
No. 1 Manitoba Northern	5.3	12.1	4.8	2.4
No. 2 Manitoba Northern	34.4	38.4	49.2	34.0
No. 3 Manitoba Northern	26.0	14.9	25.1	22.0
No. 4 Manitoba Northern	12.1	11.4	6.6	8.6
No. 5 wheat	5.5	5.7	3.4	5.7
No. 6 wheat	1.1	.9	.5	.6
Feed wheat	(2)	(2)	(2)	(2)
Other Red Spring	9.4	8.0	3.0	18.9
C.W. Garnet	.1	.1	.4	.1
C.W. White Spring	.1	.1	.1	.1
C.W. Mixed wheat	(2)	(2)	.1	(2)
Alberta Winter	.2	.2	.9	.5
Nos. 1-6 C.W. Amber Durum	5.6	7.7	5.7	6.6
Others C.W. Amber Durum	.2	.5	.2	.4
Total	100.0	100.0	100.0	100.0
		Mil. bu.	*Mil. bu.*	*Mil. bu.*
Total quantity	—	398	605	490

[1] Years beginning Aug. 1.

[2] Less than 0.05 percent.

Canada, Dominion Bureau of Statistics, *The Wheat Review.*

million bushels of wheat, or 38 percent of the total wheat produced in western Canada. By 1928 the production of more than 15 million acres of wheat was committed to delivery to the three organizations, out of a total of 21 million acres in the Prairies. Thus, until the worldwide economic collapse of the 1930's, the pools were fairly successful.

In 1965 the net value of fixed assets of the Saskatchewan Pool was $33,783,838. The original capital was mainly obtained in the 1920's through a deduction of 2 cents per bushel on wheat delivered by members under contract, with $18,755,911 capital accumulated under this method. Recent expansion created the need for additional capital and $21,400,000 was obtained by retaining a portion of the annual refunds. A total of $116,500,000 in net earnings has been distributed since the organization was founded; $75,500,000 was paid out in cash. Present policy provides for the repayment of a member's investment if a member (1) dies, (2) becomes totally disabled, (3) retires from farming, regardless of age, or (4) reaches age 70.

The Saskatchewan Pool's 85,000 farmer-members control the organization through 167 delegates who are elected annually from 16 districts. The 10 or 11 delegates in each district elect a director from their members. The 16 directors hold monthly meetings to review business operations and determine policy measures. Each delegate is to carry out an information and organization program in his subdistrict.

The Saskatchewan Wheat Pool markets over half the wheat produced in Saskatchewan. However, it has branched out to other fields including livestock marketing, vegetable oil processing, and publishing.

In 1906 the Grain Growers' Grain Company bought a seat on the Winnipeg Grain Exchange and waited for its first car of wheat to arrive. From this modest beginning the company, now known as the **United Grain Growers Limited,** has grown to over 50,000 farmer stockholders controlling nearly 800 country elevators with a capacity exceeding 58 million bushels. Serving this system is a 6.5-million-bushel terminal at the Lakehead and a 2.7-million-bushel one at Vancouver. The stockholders are organized in 320 locals which send delegates to an annual meeting where they review the previous year's operation, decide on the company's policies, and elect its directors from among themselves. The United Grain Growers is the oldest of the cooperative grain enterprises in Canada. The company, which began with a debt of $1,500, now has physical assets which rank second among the grain elevator firms in western Canada. In addition the farmers who deliver

Table 4.—Canadian licensed grain storage, August 1

Type of storage	1956	1960	1965
	1,000 bu.	*1,000 bu.*	*1,000 bu.*
Western country elevator	368,403	370,080	381,162
Western interior semi-public terminals	18,100	18,100	18,100
Interior private terminals and mill elevators	17,935	18,374	17,743
Lakehead terminals	92,952	93,152	106,321
Georgian Bay, Lake, and Upper St. Lawrence elevators	57,041	58,026	56,666
St. Lawrence export terminals	27,912	45,180	58,440
Atlantic export terminals	7,229	7,229	7,229
Pacific export terminals	20,106	24,906	24,846
Churchill export terminals	5,000	5,000	5,000
Total	614,678	640,047	675,507

grain to the company's elevators own around $4 million worth of unpaid patronage dividends. These are placed in a revolving fund each year, out of which annual installments are distributed. With very few exceptions the company has paid annual dividends each year during the 60 years it has been in business.

Owned and controlled by over 50,000 Alberta farmers, the **Alberta Wheat Pool** is designed to serve its members and improve marketing conditions for farm people. The operation and organization, with 7 districts and 10 delegates per district, are much the same as the Saskatchewan Pool. Since it began operation in 1923, over $44 million has been distributed to its members. In 1966, facilities included 535 country elevators which, with 617 annexes, had a total storage capacity of over 44 million bushels. In addition, the system included a 7.3-million-bushel terminal elevator at Vancouver and smaller ones at Victoria and Port Arthur. The pool set up a seed division in 1957 and now has 3 seed cleaning plants and 150 seed and fertilizer warehouses. It is the largest seed marketing organization in Canada.

The **Manitoba Pool** is composed of 216 local organizations owning 338 country elevators. The associations are independent and are financially responsible for their own operation. The Pool acts as the buying and selling agency for the local associations. Each association is assessed a proportionate share of the marketing cost according to the quantity of grain delivered. Each association also shares in any profits accruing to the marketing operation of the pool.

While some 55 percent of the **country elevators** in Canada are cooperatively owned, nearly 45 percent are **privately owned elevators.** Some companies own a single elevator and some, a large line including a terminal elevator. Not only have these companies been able to continue trading under the government-controlled grain monopoly, but some have been able to expand. This seems to be evidence that the handling charge paid by the Wheat Board is adequate to cover expenses and normal profits. Furthermore, all Canadian farmers are not wholehearted supporters of the cooperative marketing system.

As agents of the Canadian Wheat Board, grain elevators in Canada purchase grain for the Board's account, receiving only a handling fee set at the beginning of the season. The elevator operator grades the grain and determines the precent of dockage, making appropriate entries in the farmer's permit book. These are the only two points on which the farmer and operator can disagree, as the price is determined by the Board. If the grain a farmer delivers is near the level of the next highest grade and if the operator has in his elevator grain in the upper level of the higher grade in question he may give the farmer the higher grade. However, the operator must deliver to the Board the same quantities in each grade as he purchased. Therefore, upgrading does not directly benefit the elevator other than to satisfy the farmer and increase the possibility the farmer will name the elevator as his shipping point the following year. The Wheat Board notifies the elevator when it is to ship the grain. In shipping the grain to the location requested by the Board the elevator is allowed a certain percentage loss. This amount, while small, is fairly important in realizing a profit or loss on the total operation.

In the 1930's, the elevators and the transportation system were working at capacity during the harvest season and were practically idle during the rest of the year. Now, with the quota system, deliveries are made more evenly throughout the year. The farmer must maintain storage facilities on his farm for the major portion of his crop. Farm carryover of wheat reached a high of 323 million bushels on August 1, 1957—recently reduced smaller crops and large export.

The **Winnipeg Grain Exchange** is an association which provides its membership of over 400 with facilities to market grain. The membership includes exporters, shippers, brokers, millers and other grain processors, representatives of the Canadian Wheat Board, of public, private, and cooperative country elevator companies, and of lake carriers, railroads, banks, insurance companies, grain importers, and others. The Exchange exists for four chief reasons: (1) To provide a central meeting place for those engaged in the grain trade, (2) to provide facilities for "cash" and "futures" markets, (3) to provide established rules of trade, and (4) to provide market information.

Canada's first wholly integrated fertilizer-manufacturing complex, **Western Co-operative Fertilizers LTD.,** began operation in mid-1965. The complex is located on a 320-acre site in Calgary. The plant has a capacity of 225,000 tons of fertilizer per year and is designed to produce all the fertilizer products commonly used in Western Canada. Three cooperatives own the fertilizer co-op. They are the Saskatchewan Wheat Pool, the Alberta Wheat Pool, and the Federated Co-operatives, Ltd. The fertilizer is sold through the local agents of the three cooperatives. Therefore, economic savings are passed on to the end user of the product, the farmer.

Farmer Assistance

A levy of 1 percent is deducted from the proceeds of all grain marketed through country elevators. The funds collected are credited to the Prairie Farm Emergency Fund, created by the **Prairie Farm Assistance Act,** which went into effect in 1939–40. Collections through 1964–65 totaled nearly $164 million. Payments

from the Fund are made to producers in approved areas on acres harvested with a yield under 8 bushels per acre. Payment to producers amounted to nearly $353 million from the beginning of the program through 1964–65. The Canadian Government has paid the difference between the collections and payments.

In addition the Government of Canada approved acreage payments to Prairie grain farmers as a result of the drought in 1961. The payments were based on $1 per acre of cultivated land with a maximum payment to an individual farmer of $200. Similar payments were made in 1958 and 1960.

Early in 1957 the Wheat Board decided that in order to maintain flour exports it would be necessary to have a flour adjustment policy. The policy provided that the amount of the **export flour adjustment rate** would be announced each market day at 3:00 p.m. The rates also differ port as well as country of destination.

The adjustment payment was discontinued as of June 22, 1964, when the Board felt it was no longer necessary. The payment was a subsidy to the Canadian millers. However, it was paid entirely by the farmers, as the total cost for each year was deducted out of the pool proceeds. The cost of the policy was $3,916,122 in 1963–64 and amounted to over $20 million during the time it was in effect.

A freight rate agreement known as the **Crowsnest Pass Agreement,** signed by the railroad in 1896 and ratified by Parliament in 1897, placed the rates of western grains for export under statutory controls. But in

Table 5.—Number of elevators and storage capacity of Canada's 10 largest elevator firms as of August 1, 1965

Elevator firms	Number	Storage capacity
		1,000 bushels
Saskatchewan Wheat Pool	1,223	88,539
United Grain Growers Ltd.	756	58,102
Alberta Wheat Pool	535	44,075
Searle Grain Co. Ltd.	457	30,693
Pioneer Grain Co. Ltd.	442	36,540
Federal Grain Ltd.	435	27,175
Manitoba Pool Elevators	338	23,406
National Grain Co. Ltd.	308	22,958
Alberta Pacific Grain Ltd.	306	23,282
Paterson & Sons Ltd., N.M.	108	8,641
Others	231	17,751
Total	5,139	381,162

Table 6.—Rail freight rates in Canada and the United States

Origin	Destination	Distance	Rail rates	
Canada:[1]		*Miles*	*Cents per bushel of wheat* Domestic and export	
Winnipeg, Man.	Ft. William/Pt. Arthur, Ont.	424	8.4	
Moose Jaw, Sask		822	12.0	
Saskatoon, Sask.		904	13.2	
Calgary, Alta.		1,247	15.6	
			Domestic	Export
Calgary, Alta.	Vancouver, B. C.	642	39.0	12.0
Moose Jaw, Sask.		1,067	48.0	15.0
Saskatoon, Sask.		1,088	48.0	14.4
United States:[2]			Domestic and export	
Glasgow, Mont.	Duluth-Superior, Minn.	780	44.1	
Shelby, Mont.		1,037	48.0	
Fargo, N. Dak.		252	15.6	
			Domestic	Export
Glasgow, Mont.	Portland, Ore.	1,120	56.1	54.0
Shelby, Mont.		939	40.2	40.2
Fargo, N. Dak.		1,777	80.4	42.0
Goodland, Kans.	Stockton, Calif.	1,100	80.4	43.2
	Galveston, Tex.	935	57.6	36.0
	Chicago, Ill.	852	41.4	37.8

[1] Canadian currency. [2] U.S. currency.

1919, railway costs were mounting and the Crowsnest rates were suspended for 3 years by an Act of Parliament. The Board of Railway Commissioners thereupon granted an increase of 40 percent. However, in 1922 when the suspension came up for renewal, there was such demand for restoration of the Crowsnest rates that Parliament did restore the rates on wheat and flour.

Again in 1949 a Royal Commission on Transportation held a hearing and effort was made to remove the statutory control and place the rates under the jurisdiction of the Board of Transport Commissioners. The development of the grain growing industry in the Prairies was considered a matter of continuing national policy, and the result was a recommendation that the Crowsnest rates be retained. In the 1961 Royal Commission on Transportation report the Crowsnest Rate Agreement was considered a valid contract. A recommendation was made that the Federal Government pay the railroads a subsidy on the movement of wheat and flour for export. What the Crowsnest Agreement has meant to Prairie grain growers can be expressed only in terms of many millions of dollars.

Appendix

Export standards, 1965-66

Red Spring Wheat:

No. 1 Manitoba Northern—Test weight per bushel, 64.1 pounds (kg./hl. 80.0). Total foreign material, including other cereal grains, 0.15%, including 0.05% other seeds. Wheats of other classes, and varieties not equal to Marquis, 0.2%, including 0.1% contrasting classes.

No. 2 Manitoba Northern—Test weight per bushel, 62.1 pounds (kg./hl. 77.5). Total foreign material, including other cereal grains, 0.3%, including 0.15% other seeds. Wheats of other classes, and varieties not equal to Marquis, 1.5%, including 0.2% contrasting classes.

No. 3 Manitoba Northern—Test weight per bushel, 60.9 pounds (kg./hl. 76.0). Total foreign material, including other cereal grains, 0.45%, including 0.15% other seeds. Wheats of other classes, and varieties not equal to Marquis, 6%, including 4% other classes and 0.5% contrasting classes.

No. 4 Manitoba Northern—Test weight per bushel, 59.7 pounds (kg./hl. 74.5). Total foreign material, including other cereal grains, 0.65%, including 0.15% other seeds. Wheats of other classes, 5%, including 1% contrasting classes.

No. 5 Wheat—Test weight per bushel, 58.7 pounds (kg./hl. 73.3). Total foreign material, including other cereal grains, 0.8%, including 0.15% other seeds. Wheats of other classes, 7.5%, including 2.5% durum.

Amber Durum Wheat:

No. 1 Canada Western Amber Durum—Test weight per bushel, 65.7 pounds (kg./hl. 82.0). Total foreign material, including other cereal grains, 0.15%, including 0.05% other seeds. Wheats of other classes, and varieties of durum not equal to Mindum, 4.6%, including 3.6% of wheats of other classes.

No. 2 Canada Western Amber Durum—Test weight per bushel, 64.7 pounds (kg./hl. 80.7). Total foreign material, including other cereal grains, 0.4%, including 0.15% other seeds. Wheats of other classes, and varieties of durum not equal to Mindum, 9.5%, including 5.5% wheats of other classes.

No. 3 Canada Western Amber Durum—Test weight per bushel, 62.4 pounds (kg./hl. 77.9). Total foreign material, including other cereal grains, 0.55%, including 0.15% other seeds. Wheats of other classes, and varieties of durum not equal to Mindum, 13%, including 8.5% of wheats of other classes.

Extra No. 4 Canada Western Amber Durum—Test weight per bushel, 62.4 pounds (kg./hl. 77.9). Total foreign material, including other cereal grains, 0.7%, including 0.15% other seeds. Wheats of other classes, 10%.

No. 4 Canada Western Amber Durum—Test weight per bushel, 61.1 pounds (kg./hl. 76.3). Total foreign material, including other cereal grains, 0.75%, including 0.15% other seeds. Wheats of other classes, 10%.

Rate of exchange: Canadian dollars per U.S. dollar [1]

Month	1959	1960	1961	1962
	Can. dol. per U.S. dol.	*Can. dol. per U.S. dol.*	*Can. dol. per U.S. dol.*	*Can. dol. per U.S. dol.*
January	0.969	0.953	0.991	1.0466
February	.973	.951	.988	1.0497
March	.968	.957	.989	1.0497
April	.962	.966	.988	1.0500
May	.962	.988	.988	1.08108
June	.955	.980	1.036	1.08108
July	.959	.976	1.031	1.08108
August	.952	.970	1.031	1.08108
September	.948	.978	1.030	1.08108
October	.947	.976	1.033	1.08108
November	.949	.978	1.042	1.08108
December	.953	.996	1.043	1.08108

[1] The new par value of the Canadian dollar announced May 2, 1962, was still in effect during July 1966. From Sept. 30, 1950, to May 2, 1962, the exchange value of the dollar was allowed to fluctuate.

Supply and disposition of Canadian wheat, crop years 1940-66

Crop year beginning August 1	Supply			Disposition				Supplementary data		
	Beginning stocks	Production	Total supply[1]	Exports[2] To United States[3]	Exports[2] Total	Domestic use	Carryover	Seeded acres	Yield per seeded acre	Season average price received by producers[4]
	Mil. bu.	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*	*Mil. bu.*	*1,000 acres*	*Bushels*	*Cents per bu.*
1940	300	540	840	3	231	129	480	28,726	18.8	57
1941	480	315	795	4	226	145	424	21,949	14.3	61
1942	424	556	980	1	215	170	595	21,560	25.8	77
1943	595	282	878	135	344	177	357	16,734	16.9	113
1944	357	415	772	30	343	171	258	22,677	18.3	124
1945	258	316	575	2	343	158	74	23,198	13.6	161
1946	74	412	485	(5)	239	160	86	24,376	16.9	160
1947	86	339	425	(5)	195	153	78	24,122	14.0	162
1948	78	381	459	1	232	125	102	23,705	16.1	165
1949	102	366	468	2	225	131	112	27,387	13.4	161
10-yr. aver.	275	392	668	18	259	152	257	23,443	16.7	124
1950	112	466	579	16	241	149	189	27,311	17.1	154
1951	189	554	743	32	356	170	217	25,254	21.9	155
1952	217	702	919	17	386	150	383	26,164	26.8	159
1953	383	634	1,018	6	255	144	619	26,384	24.0	133
1954	619	332	951	4	252	162	537	25,539	13.0	124
1955	537	519	1,056	8	312	164	580	22,660	22.9	137
1956	580	573	1,153	6	264	155	734	22,781	25.2	125
1957	734	393	1,127	6	320	159	648	21,561	18.2	128
1958	648	398	1,046	4	295	163	588	22,149	18.0	132
1959	588	445	1,033	3	277	156	600	24,500	18.2	132
10-yr. aver.	461	502	963	10	296	157	510	24,430	20.5	138
1960	600	518	1,118	4	353	157	608	24,538	21.1	157
1961	608	283	891	3	358	142	391	25,316	11.2	172
1962	391	566	957	2	331	139	487	26,817	21.1	166
1963	487	723	1,210	2	595	156	459	27,566	26.2	174
1964	459	600	1,059	1	400	146	513	29,686	20.2	[6] 164
1965[6]	513	678	1,191	—	—	—	—	28,282	24.0	—

[1] Includes small imports of wheat and flour. [2] Includes wheat equivalent of flour, reported by Dominion Bureau of Statistics, Department of Trade and Commerce. [3] For U.S. domestic use only; imports of milling in bond excluded. [4] Canadian currency. [5] Less than 500,000. [6] Preliminary.

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